INSTITUTIONAL RESEARCH

United Spirits

Execution-driven improvement likely in H2FY27

We maintain BUY on United Spirits with a Sep-27 TP of INR 1,750, valuing the core business at INR 1,575 on 50x P/E and INR 175/share for the RCB stake. Recent regulatory actions remain adverse for the sector, leading to a broad de-rating, yet we stay constructive on improving visibility and execution. Management is focused on portfolio actions to revive volumes as Maharashtra headwinds roll into the base and Karnataka tax tailwinds aid ahead. Initiatives are underway with renewed thrust on relaunches, leveraging UK FTA benefits, and parent-led launches. Q2 performance was muted on Maharashtra and Karnataka weakness and a high-margin base, with sales growing 3%, while EBITDA and adjusted earnings declined 4% and 6%, respectively. With tailwinds and execution, we see double-digit revenue growth and expect stable margins ahead to aid 20%+ earnings growth in H2FY27.

- **Weak Q2 print, low base to aid H2FY27 show:** Net sales grew 3% YoY to INR32.6bn. IMFL revenue rose 4% YoY (2Y CAGR at 8%) to INR 32.5bn, led by 10% realization growth. P&A revenue grew 6% YoY (2Y CAGR at 10%) to INR 30.7bn, with volume down 1% YoY to 14.2mn cases. P&A realization stood at INR 2,160, up 7.5% YoY. Volume softness reflects a high base and Maharashtra headwinds. Popular segment revenue declined 23% YoY, with volume down 30% YoY to 1.6mn cases. Performance was impacted by MML-driven pressure in Maharashtra and recent policy changes in Karnataka, which affected realizations and growth, owing to excise slab changes. Key initiatives highlighted by management include: a) *J&B* relaunch in Q2 (leveraging UK FTA benefits, aim to drive penetration of 100% scotch), b) launch of *Smirnoff Ice* RTDs (aiming to gain share from beer and wine), c) *McDowell No 1* transformation (80-85% market reach), and d) new flavors rolled out under *Smirnoff* brand in vodka. We see growth acceleration in H2, which is likely to stay, given the improved execution and portfolio actions.
- **Margin compressed on a high base but remains healthy at ~19.7% in Q2:** GM at 48% expanded 90bps YoY and 200bps QoQ. YoY improvement was led by a stronger mix and productivity flow-through, partially offset by continued adverse impact from the West Asia crisis. EBITDA margin at 19.7% (vs 19.5% estimate) contracted 147bps YoY. A&P spends increased 57% YoY to INR3.8bn, forming 11.6% of net sales (+400bps YoY; H1 spends at ~11.5%), driven by new launches and festive season investments. EBITDA at INR6.4bn (in line) declined 4% YoY. Adj. PAT at INR4.5bn (1% miss) fell 6% YoY. Factoring in higher A&P needs in the business as a part of execution, we cut EBITDA by 2% for FY27W, and we see 11.7% A&P spends.
- **Execution benefits to emerge as headwinds enter the base:** Diageo India remains focused on premiumization, aligning tailwinds and parent portfolio to address evolving consumer needs. We expect its execution prowess to be visible in number and expect topline and earnings acceleration ahead. We build revenue and earnings CAGR at 11% and 16% over FY27E-29E.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY27	Q2 FY26	YoY (%)	Q1 FY26	QoQ (%)	FY26	FY27E	FY28E	FY29E
Net Revenue	32,580	31,700	2.8	27,030	20.5	124,480	133,506	147,498	163,067
EBITDA	6,430	6,720	-4.3	4,320	48.8	23,530	25,378	29,131	33,331
EBITDA Margin (%)	19.7	21.2	-147bps	16.0	376bps	18.9	19.0	19.8	20.4
APAT	4,510	4,800	-6	3,220	40	16,955	18,312	21,335	24,545
Adj. EPS (INR/Share)	6.2	6.6	-6.0	4.4	40.1	23.3	25.2	29.3	33.7
P/E (x)						55	51	44	38

Source: Company, HSIE Research

BUY

CMP *(as on 29 Oct 2026)*	**INR 1,290**
Target Price	**INR 1,750**
NIFTY	**22,937**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,750	INR 1,750
EPS %	FY27E (2%)	FY28E (1%)

KEY STOCK DATA

Bloomberg code	UNITDSPR IN
No. of Shares (mn)	727
MCap (INR bn) / ($ mn)	938/9,846
6m avg traded value (INR mn)	1,384
52 Week high / low	INR 1,576/1,210

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(14.3)	(5.4)	(7.1)
Relative (%)	(9.8)	(1.1)	5.7

SHAREHOLDING PATTERN (%)

	Jun-26	Sep-26
Promoters	56.7	56.7
FIs & Local MFs	17.1	17.7
FPIs	12.9	12.8
Public & Others	13.3	12.8
Pledged Shares	0.7	0.7

Source : NSE

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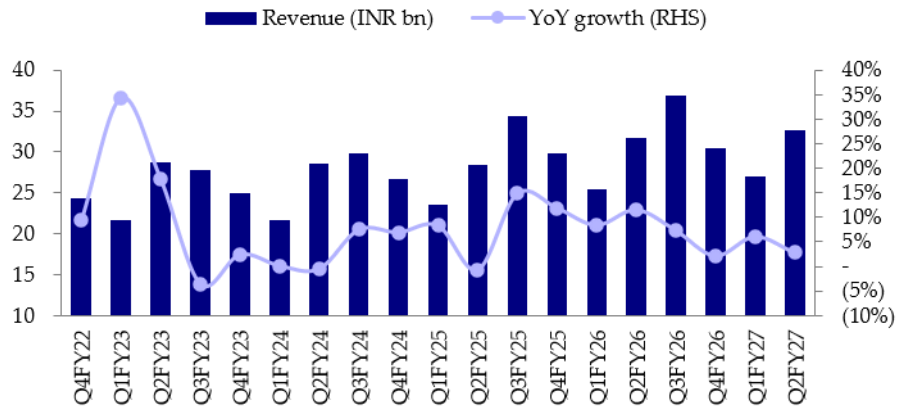
Quarterly result review

Exhibit 1: Quarterly and Half-Yearly P&L summary

(INR mn)	2QFY27	2QFY26	YoY (%)	1QFY27	QoQ (%)	HSIE Est	Act vs Est	H1FY27	H1FY26	YoY (%)
Net Revenue	**32,580**	**31,700**	**2.8**	**27,030**	**20.5**	**33,054**	**(1.4)**	**59,610**	**57,190**	**4.2**
Cost of goods	16,950	16,770	1.1	14,570	16.3	17,353	(2.3)	31,520	30,650	2.8
Employee expenses	1,530	1,750	(12.6)	1,330	15.0	1,850	(17.3)	2,860	3,110	(8.0)
A&P spends	3,780	2,410	56.8	3,120	21.2	3,000	26.0	6,900	4,790	44.1
Other expenses	3,890	4,050	(4.0)	3,690	5.4	4,400	(11.6)	7,580	7,370	2.8
EBITDA	**6,430**	**6,720**	**(4.3)**	**4,320**	**48.8**	**6,450**	**(0.3)**	**10,750**	**11,270**	**(4.6)**
EBITDAM (%)	**19.7**	**21.2**	**-150bps**	**16.0**	**380bps**	**19.5**	**20bps**	**18.0**	**19.7**	**-170bps**
Depreciation	740	650	13.8	700	5.7	750	(1.3)	1,440	1,330	8.3
EBIT	**5,690**	**6,070**	**(6.3)**	**3,620**	**57.2**	**5,700**	**(0.2)**	**9,310**	**9,940**	**(6.3)**
EBITM (%)	**17.5**	**19.1**	**-170bps**	**13.4**	**410bps**	**17.2**	**20bps**	**15.6**	**17.4**	**-180bps**
Interest cost	240	210	14.3	300	(20.0)	250		540	380	42.1
Other income	640	540	18.5	720	(11.1)	650	(1.5)	1,360	1,150	18.3
PBT	**6,090**	**6,400**	**(4.8)**	**4,040**	**50.7**	**6,100**	**(0.2)**	**10,130**	**10,710**	**(5.4)**
Tax	1,580	1,600	(1.3)	820	92.7	1,525	3.6	2,400	2,500	(4.0)
Tax rate (%)	25.9	25.0	**90bps**	20.3	**560bps**	25.0	90bps	23.7	23.3	**30bps**
Non-recurring items	110	-80	**NA**	690	**NA**	0		800	-910	**NA**
PAT	**4,620**	**4,720**	(2.1)	**3,910**	**18.2**	**4,575**	**1.0**	**8,530**	**7,300**	16.8
Adj Profit	**4,510**	**4,800**	**(6.0)**	**3,220**	**40.1**	**4,575**	**(1.4)**	**7,730**	**8,210**	**(5.8)**
NPM (%)	**13.8**	**15.1**	**-130bps**	**11.9**	**190bps**	**13.8**	**0bps**	**13.0**	**14.4**	**-140bps**
EPS (INR)	6.2	6.6	(6.0)	4.4	40.1	6.3	(1.4)	10.6	11.3	(5.8)

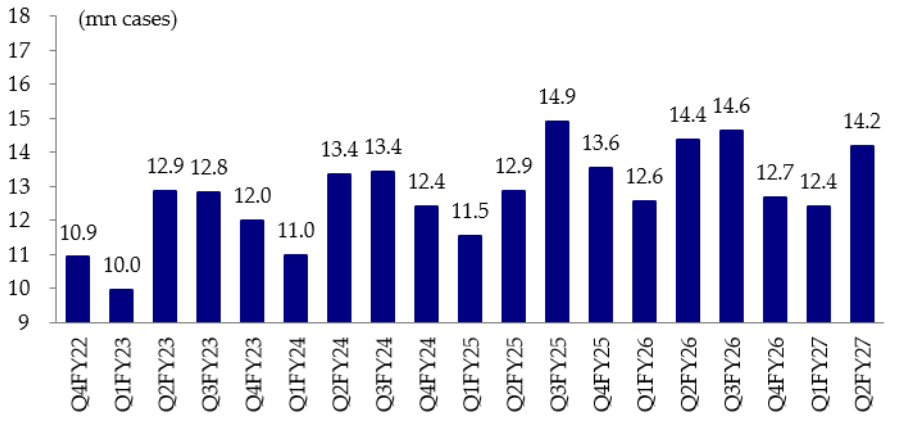
Source: Company, HSIE Research

Exhibit 2: Quarterly revenue and growth trend



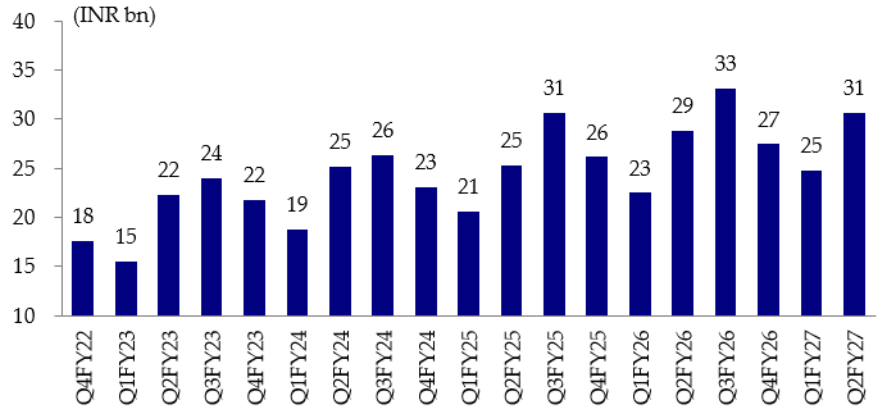
Source: Company, HSIE Research

Exhibit 3: Quarterly prestige and above volume trends



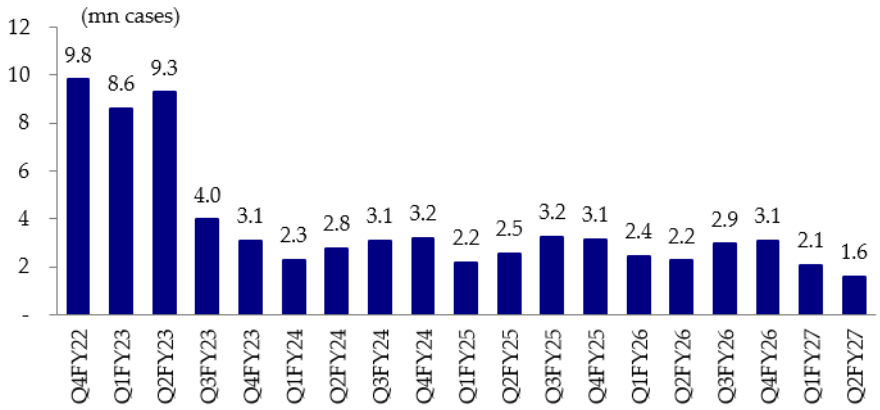
Source: Company, HSIE Research

Exhibit 4: Quarterly prestige and above revenue trends



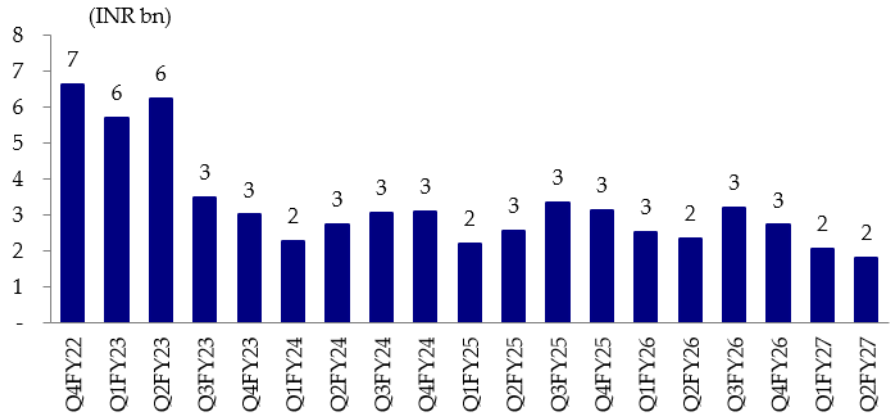
Source: Company, HSIE Research

Exhibit 5: Quarterly popular volume trends



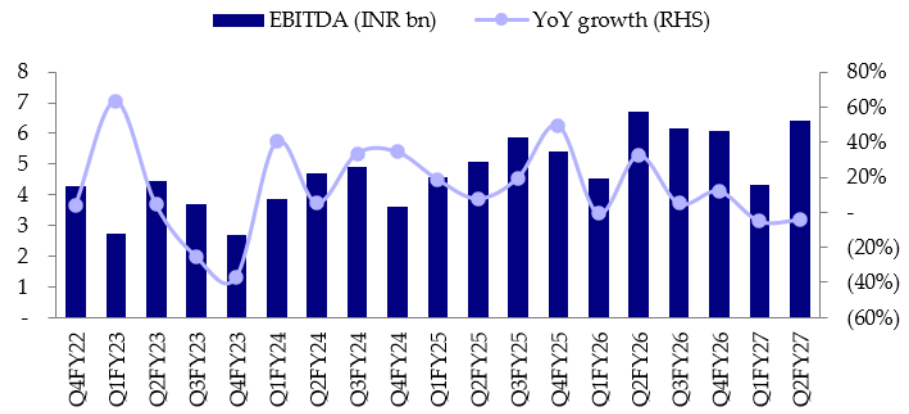
Source: Company, HSIE Research

Exhibit 6: Quarterly popular revenue trends



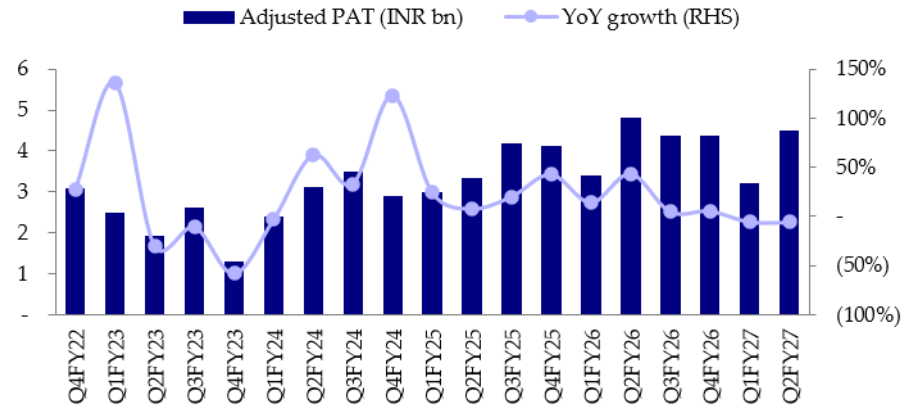
Source: Company, HSIE Research

Exhibit 7: Quarterly EBITDA and growth trend



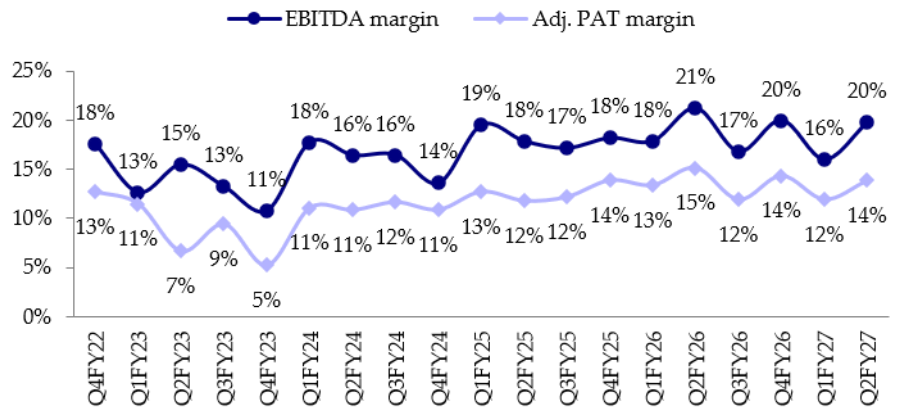
Source: Company, HSIE Research

Exhibit 8: Quarterly adjusted PAT and growth trend



Source: Company, HSIE Research

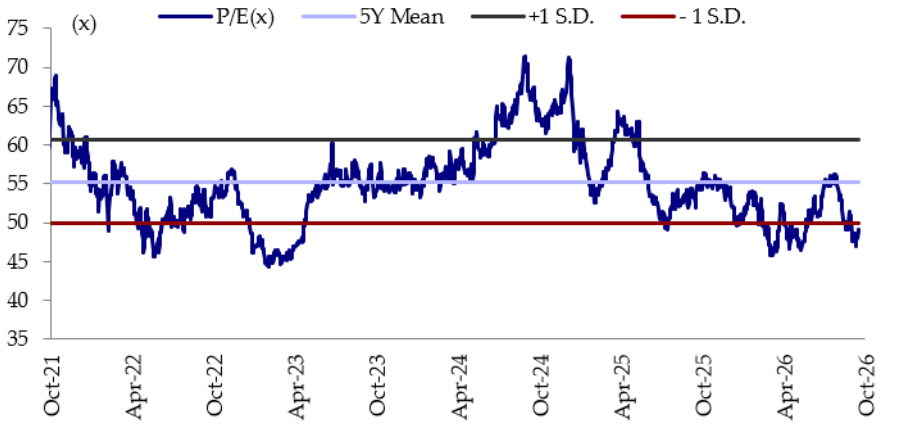
Exhibit 9: Quarterly EBITDA and PAT margin



Source: Company, HSIE Research

Valuations

Exhibit 10: United Spirit's one year forward P/E



Source: Bloomberg, Company, HSIE Research

Exhibit 11: Change in estimates

(INR mn)	New estimates			Old estimates			Changes to estimate		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	133,506	147,498	163,067	134,076	147,996	163,506	(0%)	(0%)	(0%)
growth (%)	7.3%	10.5%	10.6%	7.7%	10.4%	10.5%			
EBITDA	25,378	29,131	33,331	25,704	29,334	33,305	(1%)	(1%)	0%
growth (%)	7.9%	14.8%	14.4%	9.2%	14.1%	13.5%			
EBITDA margin (%)	19.0%	19.8%	20.4%	19.2%	19.8%	20.4%	-16bps	-7bps	7bps
Adj. PAT	18,312	21,335	24,545	18,687	21,490	24,365	(2%)	(1%)	1%
growth (%)	8.0%	16.5%	15.0%	10.2%	15.0%	13.4%			
Adj. EPS (INR/Share)	25.2	29.3	33.7	25.7	29.5	33.5	(2%)	(1%)	1%

Source: HSIE Research

Exhibit 12: HSIE estimates vs consensus estimates

(INR mn)	HSIE estimates			Consensus estimates			HSIE vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	133,506	147,498	163,067	136,884	151,886	169,033	(2%)	(3%)	(4%)
growth (%)	7.3%	10.5%	10.6%	10.0%	11.0%	11.3%			
EBITDA	25,378	29,131	33,331	25,229	29,016	32,866	1%	0%	1%
growth (%)	7.9%	14.8%	14.4%	7.2%	15.0%	13.3%			
EBITDA margin (%)	19.0%	19.8%	20.4%	18.4%	19.1%	19.4%	58bps	65bps	100bps
Adj. PAT	18,312	21,335	24,545	19,115	21,489	24,447	(4%)	(1%)	0%
growth (%)	8.0%	16.5%	15.0%	12.7%	12.4%	13.8%			
Adj. EPS (INR/Share)	25.2	29.3	33.7	26.4	29.6	33.7	(4%)	(1%)	0%

Source: Bloomberg, HSIE Research

Exhibit 13: Key assumptions

	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue assumptions							
P&A volume (mn case)	47.7	50.2	52.9	54.2	56.3	60.2	64.4
growth	11.7%	5.3%	5.4%	2.6%	3.8%	7.0%	7.0%
Popular Volume (mn case)	24.8	11.3	11.0	10.7	9.1	9.1	9.1
growth	(32.0%)	(54.6%)	(1.9%)	(3.5%)	(15.0%)	0.0%	0.0%
Overall volume (mn case)	**72.5**	**61.4**	**63.9**	**64.9**	**65.3**	**69.3**	**73.5**
growth	(8.4%)	(15.2%)	4.1%	1.5%	0.7%	6.0%	6.1%
P&A revenue growth	(25.3%)	(39.4%)	0.7%	(0.3%)	(14.2%)	1.0%	1.0%
IMFL revenue growth	10.1%	2.6%	8.9%	7.7%	8.2%	10.5%	10.6%
Profit and loss account assumptions							
Revenue growth	10.1%	3.1%	8.6%	7.2%	7.3%	10.5%	10.6%
EBITDA growth	(6.0%)	20.3%	22.6%	12.3%	7.9%	14.8%	14.4%
Adj. PAT growth	(12.4%)	34.8%	23.3%	15.7%	8.0%	16.5%	15.0%
Gross margin	41.5%	43.4%	44.9%	46.8%	47.4%	48.0%	48.5%
Employee costs as a % of revenue	5.9%	5.1%	5.2%	5.0%	4.5%	4.3%	4.2%
A&P as a % of revenue	8.9%	9.7%	9.7%	10.4%	11.7%	11.7%	11.7%
Opex as a % of revenue	13.1%	12.6%	11.9%	12.5%	12.3%	12.3%	12.2%
EBITDA margin	13.7%	16.0%	18.0%	18.9%	19.0%	19.8%	20.4%
Balance sheet							
Capex (INR mn)	463	(1,421)	(5,340)	720	(1,600)	(1,600)	(1,600)
Inventory days	78	70	72	78	78	76	75
Receivable days	84	94	103	105	105	105	103
Creditor days	61	62	68	70	70	70	70
ROE	16.3%	18.4%	19.8%	20.4%	20.4%	22.4%	24.2%
ROCE	19.7%	21.8%	23.2%	22.7%	22.6%	24.7%	26.9%

Source: Company, HSIE Research

Income Statement (Standalone)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**94,237**	**103,750**	**106,920**	**116,100**	**124,480**	**133,506**	**147,498**	**163,067**
Growth (%)		*10.1*	*3.1*	*8.6*	*7.2*	*7.3*	*10.5*	*10.6*
Material Expenses	52,839	60,720	60,480	63,970	66,260	70,224	76,699	83,979
Employee Expense	6,496	6,070	5,428	6,050	6,230	5,996	6,416	6,865
Other Expenses	19,798	22,760	23,926	25,130	28,460	31,908	35,252	38,891
EBITDA	**15,104**	**14,200**	**17,086**	**20,950**	**23,530**	**25,378**	**29,131**	**33,331**
EBITDA Growth (%)		*(6.0)*	*20.3*	*22.6*	*12.3*	*7.9*	*14.8*	*14.4*
EBITDA Margin (%)	**16.0**	**13.7**	**16.0**	**18.0**	**18.9**	**19.0**	**19.8**	**20.4**
Depreciation	2,886	2,710	2,641	2,740	2,830	2,975	3,173	3,371
EBIT	**12,218**	**11,490**	**14,445**	**18,210**	**20,700**	**22,402**	**25,958**	**29,959**
Other Income (Including EO Items)	337	740	2,098	2,070	2,120	2,747	3,032	3,325
Interest	880	1,040	909	890	820	1,000	1,100	1,200
PBT before extraordinary items	**11,675**	**11,190**	**15,634**	**19,390**	**22,000**	**24,149**	**27,889**	**32,084**
Extraordinary items	(1,560)	1,710	1,226	1,170	1,400	690	-	-
Total Tax	**1,606**	**2,370**	**3,744**	**4,980**	**5,100**	**5,837**	**6,554**	**7,540**
RPAT after MI	8,509	10,530	13,116	15,580	18,300	19,002	21,335	24,545
Adj. for tax on exceptional	-	-	-	(248)	(55)	-	-	-
Adjusted PAT	**10,069**	**8,820**	**11,890**	**14,658**	**16,955**	**18,312**	**21,335**	**24,545**
APAT Growth (%)		(12)	35	23	16	8	17	15
EPS	**13.9**	**12.1**	**16.4**	**20.2**	**23.3**	**25.2**	**29.3**	**33.7**
EPS Growth (%)		*(12)*	*35*	*23*	*16*	*8*	*17*	*15*

Source: Company, HSIE Research

Balance Sheet (Standalone)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS								
Share Capital - Equity	1,455	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Other Equity	47,468	57,990	68,180	77,340	85,760	90,942	96,640	103,000
Total Shareholders' Funds	**48,923**	**59,440**	**69,630**	**78,790**	**87,210**	**92,392**	**98,090**	**104,450**
Total Debt	6,203	1,950	1,520	7,080	9,170	9,516	9,897	10,315
TOTAL CAPITAL EMPLOYED	**55,126**	**61,390**	**71,150**	**85,870**	**96,380**	**101,908**	**107,986**	**114,766**
APPLICATION OF FUNDS								
Tangible Assets	12,014	9,780	8,440	8,500	8,310	6,835	5,161	3,290
Intangible Assets	246	310	350	240	110	110	110	110
CWIP	957	830	370	720	700	800	900	1,000
Right of Use Assets	2,606	1,730	2,270	4,570	3,810	3,810	3,810	3,810
Other Non-Current Assets	19,507	20,840	25,810	24,980	27,670	28,023	29,049	30,178
Total Non-current Assets	**35,330**	**33,490**	**37,240**	**39,010**	**40,600**	**39,578**	**39,031**	**38,388**
Current Investments	2,221	2,560	5,990	8,730	11,530	11,530	11,530	11,530
Inventories	21,643	22,300	20,630	23,050	26,590	28,518	30,712	33,507
Debtors	23,021	23,830	27,630	32,880	35,920	38,525	42,562	46,016
Cash & Equivalents	328	8,490	12,090	17,730	18,820	25,541	30,313	36,358
Other Current Assets	4,684	5,040	3,840	5,780	5,180	7,472	8,256	9,127
Total Current Assets	**51,897**	**62,220**	**70,180**	**88,170**	**98,040**	**111,586**	**123,373**	**136,538**
Creditors	15,279	17,380	18,270	21,520	23,770	25,604	28,287	31,273
Other Current Liabilities & Provns	16,822	16,940	18,000	19,790	18,490	23,651	26,130	28,888
Total Current Liabilities	**32,101**	**34,320**	**36,270**	**41,310**	**42,260**	**49,255**	**54,417**	**60,161**
Net Current Assets	**19,796**	**27,900**	**33,910**	**46,860**	**55,780**	**62,331**	**68,956**	**76,377**
TOTAL APPLICATION OF FUNDS	**55,126**	**61,390**	**71,150**	**85,870**	**96,380**	**101,908**	**107,986**	**114,766**

Source: Company, HSIE Research

Cash Flow (Standalone)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	10,115	12,900	16,860	20,560	23,400	24,839	27,889	32,084
Depreciation	2,886	2,710	2,641	2,740	2,830	2,975	3,173	3,371
Working Capital Change	(1,422)	(1,641)	(3,050)	(6,400)	(8,880)	(417)	(2,498)	(2,087)
Tax Paid	(1,606)	(2,370)	(3,744)	(1,730)	(3,340)	(5,837)	(6,554)	(7,540)
Interest/Dividend received	880	1,040	909	890	820	1,000	1,100	1,200
OPERATING CASH FLOW (a)	**10,853**	**12,639**	**13,616**	**16,060**	**14,830**	**22,560**	**23,110**	**27,029**
Capex	(4,836)	463	(1,421)	(5,340)	720	(1,600)	(1,600)	(1,600)
Free Cash Flow (FCF)	*6,017*	*13,102*	*12,195*	*10,720*	*15,550*	*20,960*	*21,510*	*25,429*
Others	(2,369)	(480)	(4,750)	(4,160)	(4,070)	580	-	-
INVESTING CASH FLOW (b)	**(7,205)**	**(17)**	**(6,171)**	**(9,500)**	**(3,350)**	**(1,020)**	**(1,600)**	**(1,600)**
Debt Issuance/(Repaid)	(2,139)	(3,407)	(10)	(1,370)	(1,430)	-	-	-
Interest Expenses	(880)	(1,040)	(909)	(400)	(370)	(1,000)	(1,100)	(1,200)
FCFE	***4,758***	***10,735***	***13,094***	***9,750***	***14,490***	***21,960***	***22,610***	***26,629***
Change in net worth	(854)	(13)	3,624	-	-	-	-	-
Dividend	-	-	(6,550)	(3,500)	(12,630)	(13,820)	(15,638)	(18,184)
FINANCING CASH FLOW (c)	**(3,873)**	**(4,460)**	**(3,845)**	**(5,270)**	**(14,430)**	**(14,820)**	**(16,738)**	**(19,384)**
NET CASH FLOW (a+b+c)	**(225)**	**8,162**	**3,600**	**1,290**	**(2,950)**	**6,721**	**4,772**	**6,045**
Add: Beginning balance	**553**	**328**	**8,490**	**10,210**	**11,500**	**18,820**	**25,541**	**30,313**
Closing Cash & Equivalents	**328**	**8,490**	**12,090**	**11,500**	**8,550**	**25,541**	**30,313**	**36,358**

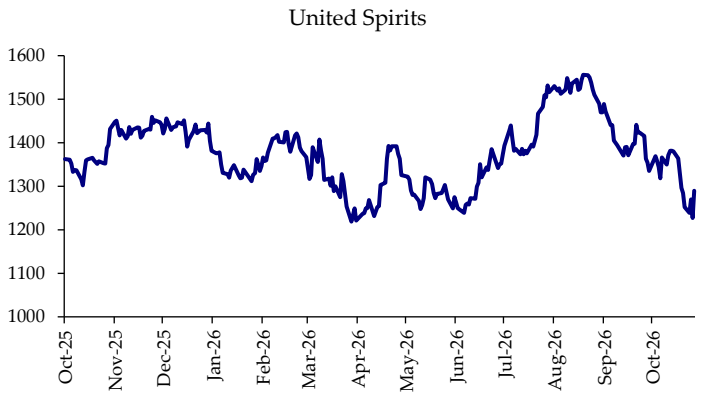
Source: Company, HSIE Research

Key Ratios

Year End (March)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)								
GPM	43.9	41.5	43.4	44.9	46.8	47.4	48.0	48.5
EBITDA Margin (%)	16.0	13.7	16.0	18.0	18.9	19.0	19.8	20.4
EBIT Margin	13.0	11.1	13.5	15.7	16.6	16.8	17.6	18.4
PBT Margin	12.4	10.8	14.6	16.7	17.7	18.1	18.9	19.7
APAT Margin	10.7	8.5	11.1	12.6	13.6	13.7	14.5	15.1
RoE	20.6	16.3	18.4	19.8	20.4	20.4	22.4	24.2
RoIC (or Core RoCE)	20.0	17.6	21.2	24.1	25.4	26.0	30.3	34.5
RoCE	22.2	19.7	21.8	23.2	22.7	22.6	24.7	26.9
EFFICIENCY								
Tax Rate (%)	13.8	21.2	23.9	25.7	23.2	24.2	23.5	23.5
Fixed Asset Turnover (x)	4.3	5.2	5.7	6.1	5.7	5.7	5.9	6.2
Inventory (days)	84	78	70	72	78	78	76	75
Debtors (days)	89	84	94	103	105	105	105	103
Other Current Assets (days)	18	18	13	18	15	20	20	20
Payables (days)	59	61	62	68	70	70	70	70
Other Current Liab. & Provns (days)	65	60	61	62	54	65	65	65
Cash Conversion Cycle (days)	**67**	**59**	**54**	**64**	**75**	**69**	**67**	**64**
Net D/E (x)	0.1	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Interest Coverage (x)	13.9	11.0	15.9	20.5	25.2	22.4	23.6	25.0
PER SHARE DATA (INR)								
EPS	13.9	12.1	16.4	20.2	23.3	25.2	29.3	33.7
CEPS	17.8	15.9	20.0	23.9	27.2	29.3	33.7	38.4
Dividend	-	-	9.0	12.0	17.0	19.0	21.5	25.0
Book Value	67.3	81.8	95.8	108.3	119.9	127.0	134.9	143.6
VALUATION								
P/E (x)	93.0	106.2	78.8	64.0	55.3	51.2	44.0	38.2
P/BV (x)	19.1	15.8	13.5	11.9	10.8	10.2	9.6	9.0
EV/EBITDA (x)	62.3	65.3	53.9	43.8	39.0	35.9	31.1	27.0
EV/Revenues (x)	10.0	8.9	8.6	7.9	7.4	6.8	6.1	5.5
OCF/EV (%)	1.2	1.4	1.5	1.7	1.6	2.5	2.6	3.0
FCF/EV (%)	0.6	1.4	1.3	1.2	1.7	2.3	2.4	2.8
FCFE/Mkt Cap (%)	0.5	1.1	1.4	1.0	1.5	2.3	2.4	2.8
Dividend Yield (%)	-	-	0.7	0.9	1.3	1.5	1.7	1.9

Source: Company, HSIE Research

Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

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